

FISCAL NOTE

Bill #: SB0354

Title: Full compensation for school trust for natural areas

Primary

Sponsor: William Crismore

Status: Third Reading

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Expenditures:		
State Special Revenue	0	\$35,000
Revenue:		
State Special Revenue	0	\$1,000,000
Net Impact on General Fund Balance:	0	0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Natural Resources and Conservation

1. The DNRC normal process of developing projects involves design decisions and mitigations to address local issues and ensure compliance with applicable laws and regulations and the State Forest Land Management Plan (SFLMP). With the exception of old growth reserves/deferrals, the designations and treatments consistent with sound forest management are not considered to meet the conditions of subsections 2 and 4.
2. Section 1(3): This subsection pertains to designation of old growth reserves/deferrals committed to in the SFLMP. DNRC does not believe that 77-5-208, MCA, would be invoked unless someone wanted to defer old growth associated with a specific timber sale.

3. Section 1(3): Under this section, the department would amend the SFLMP and modify Biodiversity Standards and other associated standards to require the trust to be compensated for any old growth deferrals. Current policy/direction for designating old growth reserves under the SFLMP could be achieved by offering a percentage (Board of Land Commissioners approved) of existing acres of old growth for "sale" (77-2-301, MCA), "easement" (77-2-101, MCA), "exchange" (77-2-201, MCA), "lease" (77-1-204, MCA), or by designating as a "natural area" (76-12-107, MCA). The old growth that is not deferred through compensation would be put back into the manageable timber base and the sustained-yield requirement would then be recalculated.
4. Interest from the trust is distributable to the general fund which will flow through to the general fund for Montana's public schools.
5. The department will need 1.00 FTE, which would be utilized to prepare and sell the additional volume generated by this legislation.
6. Operating costs associated with this FTE are proposed to be absorbed by the department.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
FTE	0	1.00
<u>Expenditures:</u>		
Personal Services	0	\$35,000
<u>Funding:</u>		
State Special Revenue (02)	0	\$35,000
<u>Revenues:</u>		
State Special Revenue (02)	0	\$1,000,000
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
State Special Revenue (02)	0	\$965,000

LONG-RANGE IMPACTS:

Increase in the annual sustained yield (77-5-223, MCA) by approximately 2 to 6 million board feet (mmbf) annually beginning in FY 2003 and subsequent years thereafter. The additional FTE requested would be utilized to prepare and sell this additional volume. For the purposes of this analysis it is predicted that either the sustained yield harvest would increase by 4 million board feet annually or some entity would pay the equivalent full market value. "Annual" revenues derived from this additional volume are difficult to predict when they will be realized over the length of DNRC standard contracts (3 years). However, given average stumpage prices DNRC would expect to generate approximately \$250,000 for each 1 mmbf harvested. (Annual harvest levels have fluctuated between 30 mmbf and 55 mmbf in the past 5 years given the flexibility of the sale contracts.) Consequently, the actual increased revenue may be less than the predicted amount in some years and more in others.

TECHNICAL NOTES:

Implementing this bill will require amending the SFLMP, which the department will soon engage in due to current litigation and evolving policy regardless of this legislation. Workloads associated with amending the SFLMP and/or implementing the current old growth standards in the SFLMP have the unquantified potential to impact the departments' ability to meet sustained-yield requirements in FY 2003 and FY 2004.